ASIA PACIFIC RESOURCES LTD.

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2003

REPORT TO SHAREHOLDERS

John Bovard
President and Chief Executive Officer

This time last year I said that 2003 will be a defining year for the Company as the process for review and potential approval of our Mining License application began.

The Company made its most significant commitment to date on May 29, 2003 when its Thailand subsidiary, Asia Pacific Potash Corporation Ltd. (APPC) submitted an application for four Mining Licenses for the mining area covering the potash deposits known as Udon South.

The Udon South project is ready for financing, construction and production. The project is fully drilled out; it is tested and designed. Expert review of technical data has confirmed the project's economic viability using a staged development, starting with one million tonnes of potash per annum and subsequently scaling up to two million tonnes of potash per annum. The project's Environmental Impact Assessment was approved by the Government of Thailand in 2001.

The project generates substantial benefits to the economy of Thailand in general and to local communities in North Eastern Thailand in particular. The project creates over 1,000 jobs during the three year construction phase and 900 direct jobs over a 22 year mine life; it makes a total contribution to the Thai economy in excess of Baht 260 billion (US$6.5 billion) through royalties, export earnings, materials purchases, employment benefits and taxes. It will allow the Government of Thailand, which is a 10 per cent shareholder in the project, to improve the country's balance of trade and to underscore its interest in attracting investment from abroad for the benefit of Thai citizens.

Global trends in the potash industry all support the argument that the Udon project is now more important than ever.

Worldwide demand for potash continues to increase and is now close to production capacity with the highest growth in consumption forecast in Asia led by China.

Recognizing the importance of the Chinese market the Company signed a Memorandum of Understanding with China State-Owned Enterprise Investment Company (CSEIC) in November 2003. We will work with CSEIC to identify long-term offtake commitments in China and to work with potential Chinese partners with expertise in the areas of investment, financing, technical support and sales and marketing.

In March 2004 the FMB Group, which specializes in fertilizer market intelligence, held its first Asian Conference and Exhibition. This was held in Bangkok and Matthew Blackwell, Vice-President, Operations, for Asia Pacific Potash Corporation Ltd gave a timely and well received closing presentation on how Thai potash meets Asian demand.

In April 2004 the International Fertilizer Association held its annual technical conference in Beijing. There was significant interest in our Udon project.

Another factor impacting prices is the increase in shipping rates. Longer lead times for cargoes require significant up-front commitments from purchasers and increase APPC's cost advantage over other producers. Large and infrequent tonnages result in high working capital costs for Asian consumers. There has been a recent and dramatic increase in potash prices such that the delivered cost to China is now in excess of US$160 and more than US$200 to Malaysia.

Industry analysts indicate that these pricing pressures are expected to continue for the medium to long-term future.

Asia wants and needs a new producer. The Udon site provides easier access to Asia's markets by road or rail to Thailand's neighbours and by coastal barges and freighters to regional ports; significant storage facilities in Thailand facilitate shorter lead times and accommodate seasonal demands, making APPC Company the supplier of choice for regional consumers.

Our Community Relations programme in Udon Thani helps ensure that there is widespread local awareness of, and support for, the project. APPC provides sponsorship and participates in local cultural events, sports and special events. The Company has most recently introduced a much needed mobile healthcare service in the project area.

The Company provides and attends local seminars and conferences and has a programme of community and school visits.

There is no question that the project enjoys strong local support. In August 2003 an exhibition of the project was staged in a modern shopping mall in Udon Thani city. Over 1,000 people participated in a survey that asked about their awareness of the project and their level of support. When asked how the Udon Potash project can contribute to the well-being of Udon Thani citizens and of Thailand, 95.3% said considerably or greatly. 79% of respondents said that the project should start with only 3% saying that it should not.

It is therefore frustrating that I cannot report speedier progress towards the grant of our Mining License.

We have been previously advised by the Department of Primary Industries and Mining (DPIM) that the application could not be formally processed until the amendments to the Regulations under the Mining Law are passed. These regulations were passed on March the 10th. Processing of the application has now commenced.

It is the opinion of APPC management based on the processing of mining lease applications in a number of countries around the world and an analysis of the detailed steps and activities required in the processing of applications in Thailand (as now defined in the regulations) that the process could be completed within 12 to 16 weeks from initial commencement. Since ours will be the first Mining License Application to be processed under the new regulations we may encounter some delays as procedures are refined.

In December 2003, the Company received a notice from the Government questioning the Company's right, under its Concession Agreement, to renew seven exploration licenses relating to a portion of its potash concession known as the Udon North deposit. The Company appealed this notification, believing that it has a substantial basis for renewal of the exploration licenses. In April 2004 the Company agreed with the Thai Department of Primary Industries and Mines to suspend arbitration proceedings for a sixty day period to permit discussions between the two parties.

The lack of progress on the Mining License, and the questions raised over Udon North, led the board to appoint specialist Advisors on a success fee basis to enhance the Company's efforts to procure the Mining License for Udon South and to secure the Udon North tenements.

The Advisors, who are at arm's length to the Company, have worked with a number of international companies investing in significant projects in Thailand. They provide resources and experience that are not available within the Company and are working in close co-operation with management.

The Company and our shareholders benefit from the continuing support of Olympus Capital Holdings Asia I, L.P. ("Olympus"), the Company's major shareholder. In 2004 Olympus has provided two separate convertible loans of US$0.5 million and US$1.5 million respectively. This has provided the company with working capital to aggressively pursue our objective of obtaining a Mining License.

The Company continues its ongoing efforts to raise funds. Those efforts are supported by a recently completed update of the economics of the Udon South potash project, previously published in June 2003. A combination of rapidly rising potash prices and other factors mean that there is a substantial improvement in the project cashflows and internal rate of return.

I would like to thank our experienced Board for their wise counsel throughout the year. Richard Knight left the Board on September 30, 2003 following his appointment as Managing Director of Inco Australia Management Pty Ltd. I thank him for his continuing support.

The Board and management of the Company know that the successful development of the Udon potash mine will give other investors the confidence to enter into long-term investment arrangements in Thailand. This is a case study for foreign investment in Thailand, especially for underground mining, and we have the opportunity to show how a safe and sustainable new industry can be established in the Kingdom of Thailand.

In conclusion I thank our shareholders and our employees for their continued support throughout the last year.

On Behalf of the Board of Directors

"John Bovard"

John Bovard,
President and Chief Executive Officer.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Consolidated Financial Statements for the year ended December 31, 2003
(Containing information as at May 7, 2004, except as indicated)

Reference is made to the audited Consolidated Financial Statements of Asia Pacific Resources Ltd. ("APQ" or the "Company") for the year ended December 31, 2003, the ten month period ended December 31, 2002 and the year ended February 28, 2002 upon which the following discussion is based. The Consolidated Financial Statements and the notes thereto, have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. Differences from United States GAAP are described in Note 17 to the statements.

All dollar figures are in C$, unless otherwise stated.

OVERVIEW OF BUSINESS

The Company is an exploration stage enterprise. The Company holds a 90% direct and indirect beneficial interest in Asia Pacific Potash Corporation ("APPC"), a company incorporated in Thailand that holds the Udon Thani Potash Concession situated in North East Thailand. The Government of Thailand has a 10% carried interest.

APPC has identified two large potash deposits, Udon North and Udon South, on the Concession.

The Company's activities are primarily directed at the exploration, development and financing of its potash deposits. Under Canadian GAAP, direct exploration, engineering, development and feasibility costs have been capitalized. Administrative and other costs associated with the evaluation of financing have been expensed.

In January 2003 the Company announced that it would close its Vancouver office and relocate a number of corporate office functions to its office in Bangkok to better support the Udon Thani potash project.

In May 2003 the Company submitted its application for a Mining License to develop and operate a potash mine on the portion of its potash concession known as the Udon South deposit. That application is subject to review and subsequent approval by the Government of Thailand and a public review pursuant to Thailand's Mining Law.

In order to obtain the Mining License on a timely basis the Company is working closely with specialist advisors who are at arm's length to the Company and have been retained on a success fee basis.

In December 2003, the Company received a notice from the Government questioning the Company's right, under its Concession Agreement, to renew seven exploration licenses relating to a portion of its potash concession, known as the Udon North deposit. The Company appealed this notification, believing that it has a substantial basis for renewal of the exploration licenses. In April 2004 the Company agreed with the Thai Department of Primary Industries and Mines to suspend arbitration proceedings for a sixty day period to permit discussions between the two parties.

The Company intends to continue its fund raising efforts to meet working capital requirements, its obligations on receipt of a Mining License and for subsequent construction of the Udon South mine.

CHANGE OF ACCOUNTING DATE

Effective December 31, 2002 the Company changed its financial year-end from February 28th to December 31st.

RESULTS OF OPERATIONS

Summary

The Company incurred a net loss of $4.8 million or $0.01 per share for the year ended December 31, 2003, compared to a loss of $4.0 million or $0.01 per share for the ten month period ended December 31, 2002 and a loss of $12.2 million or $0.21 per share for the year ended February 28, 2002.

At December 31, 2003, the working capital of the Company was $0.2 million.

In January 2004 Olympus Capital Holdings Asia, L.P. ("Olympus") advanced a US$500,000 convertible loan to the Company with an interest rate of 5% per annum for working capital purposes. In March 2004 Olympus advanced an additional US$1,500,000 loan on the same terms.

Results of operations - year ended December 31, 2003, the ten month period ended December 31, 2002 and the year ended February 28, 2002.

The Company incurred a net loss of $4.8 million or $0.01 per share for the year ended December 31, 2003. The loss is an increase of 5% from a loss of $4.0 million or $0.01 per share for the ten month period to December 31, 2002, and down by 61% from a loss of $12.2 million or $0.21 per share for the full fiscal year ended February 28, 2002.

The financial results for the year ended December 31, 2003, the ten months ended December 31, 2002, and the year ended February 28, 2002 are summarized below:

In C$ millions	Year ended December 31, 2003	Ten months ended December 31, 2002	Year ended February 28, 2002
Expenses	(5.2)	(3.4)	(3.9)
Amortization of property and equipment	(0.1)	(0.1)	(0.1)
Amortization of deferred financing costs	-	(0.3)	(0.4)
Recovery of prior year's accrued finance costs	-	-	2.8
Interest and Other Charges	-	(0.7)	(8.2)
Interest and Other Income	0.1	0.2	-
Foreign Exchange (Loss) Gain	1.0	0.3	(2.4)
Loss Before Income Taxes	(4.2)	(4.0)	(12.2)

Interest received was $93,057 in the year ended December 31, 2003, down 44% from $167,379 received in the ten months to December 31, 2002. This compares to $32,873 received in the fiscal year ended February 28, 2002.

The higher interest in the ten months to December 31, 2002 reflects the cash proceeds received in April 2002 from the conversion of convertible debentures and the subsequent use of the Company's cash to fund activities. As at December 31, 2003 the Company had cash balances of $383,733.

While the Company has not paid interest in 2003 it has paid bank charges of $8,145. During the ten month period to December 31, 2002, the Company incurred $0.7 million in interest and bank charges compared to $8.2 million in the fiscal year ending February 28, 2002, a decrease of $7.5 million. The decrease is due to the conversion of convertible debentures into common shares of the Company on April 1, 2002. The Company incurred interest expense on the debentures for only one month during the ten month accounting period compared to a full year's interest during the year ended February 28, 2002.

Promotion and travel costs for the year ended December 31, 2003 were $1.2 million compared to $0.7 million in the ten months to December 31, 2002, and $0.4 million in the fiscal year to February 28, 2002. The Company incurred $0.5 million of additional costs as it embarked on an active public information program in Thailand. Significant effort has been made to increase familiarity and support for the project from the people of Udon Thani.

Consulting costs have increased to $0.8 million for the year ended December 31, 2003, from $0.2 million in the ten months to December 31, 2002. In the year ended December 31, 2003, $0.3 million was paid to an advisory firm retained to identify and develop international investor interest and to increase the profile and awareness of the project before the Mining License was submitted. A further $0.3 million has been paid to consultants providing finance and engineering support to the Company.

Salary expenses for the year ended December 31, 2003 were $1.3 million, consistent with the shorter ten month period to December 31, 2002. This reflects the full year's employment of the executive team recruited in 2002 including a full time Chief Executive Officer, senior community relations staff and is net of salary savings from the closure of the Vancouver office in January 2003.

The salary expense in 2003 is a decrease of $0.5 million from $1.8 million in the fiscal year to February 28, 2002. The fiscal year ended February 2002 included a settlement for approximately $900,000 to a former CEO of the Company.

Total stock compensation expense for the year ended 31 December 2003 was $1,055,713. In accordance with the accounting policy described in Note 2 (e) the Company has recorded stock compensation expense of $1,025,487 (ten months ended December 31, 2002 - $55,500) because the exercise price of certain outstanding stock options was less than the Company's stock price at December 31, 2003.

Using the fair value method for stock-based compensation, the company recorded an additional charge to earnings of $10,869 (2002 - $nil) for stock options granted with a fixed exercise price.

The foreign exchange gain for the year ended December 31, 2003 is $1.0 million compared to a gain of $0.3 million in the ten months to December 31, 2002 and a foreign exchange loss of $2.4 million in the fiscal year ending February 28, 2002. As a result of the strengthening of the Canadian dollar relative to the Thai baht in 2003, the Company recorded a $1.3 million gain on translation of the deferred income tax liability which is denominated in Thai baht but reported in Canadian dollars.

Investing Activities and Update on the Potash Market

Investing activities with respect to expenditures on the potash concession were $2.2 million, the same expenditure as in the ten month period ended December 31 2002. $1.0 million was spent in the year to February 28, 2002.

Most of the 2003 expenditure was incurred in the first half of the year as the Company finalized its application for a Mining License for the development, construction and operation of a potash mine on the Udon South deposit. The work led to an update of the technical and economic review of the project which was announced in June 2003.

At this stage the Company is of the view that all field, laboratory and basic design work is essentially completed. Technical work required for bank debt financing following the grant of the Mining License is expected to include final updating of capital and operating costs data prior to project implementation.

Liquidity and Capital Resources

At December 31, 2003, the working capital of the Company was $0.2 million compared to $5.2 million at December 31, 2002.

On February 28, 2002, the working capital deficiency was $65.1 million; excluding the debentures, accrued interest and premium, the Company had a working capital deficiency of $0.8 million.

In January 2003 the Company completed a non-brokered private placement to a Canadian financial institution of 21,751,896 common shares at a subscription price of $0.10 per share for gross proceeds of approximately $2.2 million.

In January and March 2004 the Company received convertible loan financing totaling US$2.0 million from Olympus Capital to meet its short term working capital requirements.

Other than for administrative expenditures, the Company will continue to spend funds on the ongoing development of its potash project, in particular responding to issues raised in the review of its application for a Mining License.

The Company intends to continue its fund raising efforts to meet working capital requirements, its obligations on receipt of a Mining License and for subsequent construction of the Udon South mine.

Contractual Commitments

The Company has the following contractual obligations for payments due:

a) Lease Commitments

The Company has future minimum payments in respect of lease commitments for office space in Thailand due in 2004 of $48,733.

b) Payment to Government of Thailand

Pursuant to the Concession Agreement dated November 29, 2003, a fee of US$5.0 million is payable to the Government of Thailand on receipt of the Mining License for Udon South.

Contingencies

The Company has the following material contingent liabilities:

a) Success Fee

As detailed in Note 16 (c) of the Company's financial statements the Company has retained specialist Advisors on a success fee basis to enhance the Company's efforts to procure the Mining License for Udon South and to secure the Udon North tenements. Under the terms of the Agreement the Advisors receive a cash success fee of US$5 million payable in two payments of US$2 million in 30 days and US$3 million in 60 days, following receipt by APPC of a Mining License for Udon South within the term of the Agreement, and on commercial terms acceptable to APPC in its sole discretion.

In addition the Advisors would receive certain options and units as described in Note 16 (c).

The Advisors, who are at arm's length to the Company, have worked with a number of international companies investing in significant projects in Thailand. They provide resources and experience that are not available within the Company.

b) Employment Contract

In the event of a sale of the Company's common shares by the majority shareholder to a third party, whereby the majority shareholder will own less than 20% of the outstanding common shares held at the date of closing of the sale, the Company will be obligated to pay a senior executive a termination payment under his employment agreement estimated as approximately $250,000 at December 31, 2003.

The Company continues its ongoing fund-raising efforts to ensure that it can meet its commitments on receipt of the Mining License; for working capital and administrative expenses; to purchase additional land and/or surface rights and ultimately for construction of the mine facilities. There is no assurance that the Company will be able to raise some or all of the required funds.

Other than as discussed herein, the Company is not aware of any trends, demands, commitments, events or uncertainties that may result in the Company's liquidity materially decreasing over and above current projected expenditures.

CRITICAL ACCOUNTING POLICIES

The preparation of its consolidated financial statements requires the Company to use estimates and assumptions that affect the reported amounts of assets, liabilities and expenses. The Company's accounting policies are described in Note 2 to the consolidated financial statements.

The financial statements include the accounts of the Company's subsidiary, Asia Pacific Potash Corporation ("APPC"), a company which holds a potash concession in Thailand (Note 3). Of the Company's 90% beneficial interest in APPC, 27.5% is held through a wholly-owned subsidiary, Metro Resources Company Ltd. Intercompany transactions and balances have been eliminated.

The Company is capitalizing all direct exploration and development expenditures related to the Potash Concession until commercial production commences or the investment is abandoned, at which time the costs will either be amortized on a unit-of-production basis or fully charged to operations.

Management reviews the carrying value of the potash concession and related property at least quarterly for evidence of impairment. This review is generally made with reference to the timing of exploration work, work programs proposed, exploration results achieved by the Company, the status of the Company's exploration and mining rights and the assumptions and conclusions included in mining feasibility studies.

If the Company has reason to believe that impairment may exist, estimated future undiscounted cash flows are prepared using estimated recoverable tons of potash (considering current proven and probable reserves and mineral resources expected to be converted into mineral reserves) along with estimated future potash prices and estimated future operating and capital costs of construction. The inclusion of mineral resources is based on various information, including but not limited to the existence and nature of known mineralization, location of the property, results of recent drilling and analysis to demonstrate that the potash is commercially recoverable. The reserves are based on a technical report that has been previously filed on Sedar.

The projected future cash flows cover the known Udon South potash reserves at this time. If the future undiscounted cashflows are less than the carrying value of the assets then the assets may be written down and the write off charged to earnings in the current period.

FOREIGN EXCHANGE

The Company is subject to fluctuations in foreign exchange rates, with regard to its potash project in Thailand. The Company's operations were based in part in Canadian and US dollars; however some capital and operating costs continue to be incurred in local Thai currency.

RISKS AND UNCERTAINTIES

The Company's business is subject to risks normally encountered in mineral resource exploration and development. The profitability of the Company's business will be related to the success the Company achieves in the development, placing into production and commercial operation of the Udon South and Udon North projects in the Udon Thani Potash Concession in Thailand.

Mineral exploration and development involves significant risks and few properties that are explored are ultimately developed into producing mines.

The Company has now applied for a Mining License from the Government of Thailand but approval is required before it can construct mining facilities, commence commercial production and sell potash and other mineral by-products. There can be no guarantee that such a License will be obtained, or obtained on commercially acceptable terms.

The Company's continuing ability to meet its obligations as they come due and to undertake development of the Concession is dependent upon raising sufficient funds and/or securing other Project participation as required.

A fee of US$5.0 million is payable to the Government of Thailand upon receipt of the Mining License. There can be no assurance that the Company can raise the necessary funds for such payment.

A further fee of US$5.0 million is payable to the Advisors retained by the Company if the Mining License is received during the term of the Advisory Agreement.

There can be no assurance that the Company will have or can raise the necessary funds for such payments.

Moving beyond the Mining License application to construction of the mining site will require participation from third party financial institutions and/or industry participants. The Company has been engaged in discussions with prospective partners to secure financing for development of its potash concession but there is no assurance that these discussions will be concluded successfully or the financing achieved. There can also be no assurance that these costs will not increase due to delays in the granting of a Mining License, or of new conditions or requirements that are part of the Mining License Application approval.

The marketability of potash will be affected by numerous factors beyond the control of the Company including potash price fluctuations, changes in the supply of and demand for potash, competitive reactions, the proximity and capacity of markets, and government regulations relating to prices, taxes and over the import and export of potash.

The Company's operating costs can be impacted by changes in the cost of mining and processing equipment, the proximity and capacity of end use markets, government regulations relating to royalties, land tenure, labour standards, land use, environmental protection and operating permits.

The potash mining industry participants include large established mining companies with substantial capabilities and greater financial and technical resources than the Company with which the Company will have to compete.

FORWARD LOOKING STATEMENTS

This documents contains "Forward Looking Statements within the meaning of Section 21E of the United States Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact, included herein, and Asia Pacific Resources Ltd.'s future plans are forward looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. Forward looking statements are based upon estimates and opinions of management on the date the statements are made, and the Company does not undertake any obligation to update forward-looking statements should conditions or management's estimates or opinions change.

Independent Auditors' Report

To the Shareholders of
Asia Pacific Resources Ltd.

We have audited the consolidated balance sheets of Asia Pacific Resources Ltd. (an exploration stage enterprise) as at December 31, 2003 and December 31, 2002 and the consolidated statements of loss and deficit and cash flows for the year ended December 31, 2003, the ten month period ended December 31, 2002, the year ended February 28, 2002 and the period from inception, January 26, 1986 to December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

With respect to the consolidated financial statements for the year ended December 31, 2003, the ten month prior ended December 31, 2002 and the year ended February 28, 2002, we conducted our audit in accordance with Canadian generally accepted auditing standards and United States generally accepted auditing standards. With respect to the period from inception, January 26, 1986, to December 31, 2003, we conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the year ended December 31, 2003, the ten month period ended December 31, 2002 and the year ended February 28, 2002, and the period from inception, January 26, 1986 to December 31, 2003 in accordance with Canadian generally accepted accounting principles applied on a consistent basis.

Deloitte & Touche LLP
Chartered Accountants
Vancouver, British Columbia
May 3, 2004

Comment by Independent Auditors on Canada – United States of America Reporting Difference

In the United States of America, reporting standards for auditors require the addition of an explanatory paragraph when the financial statements are affected by conditions and events that cast substantial doubt on the Company's ability to continue as a going concern, such as described in Note 1 to the financial statements.

Although we have conducted our audits in accordance with both Canadian generally accepted accounting standards and auditing standards generally accepted in the United States of America, our report to the shareholders dated May 3, 2004 is expressed in accordance with Canadian reporting standards which do not permit a reference to such conditions and events in the auditors report when these are adequately disclosed in the financial statements.

Deloitte & Touche LLP

Chartered Accountants
Vancouver, British Columbia
May 3, 2004

ASIA PACIFIC RESOURCES LTD.
(An exploration stage enterprise)

Consolidated Balance Sheets
(Expressed in Canadian dollars)

	December 31, 2003	December 31, 2002
ASSETS		
CURRENT		
Cash	$ 383,733	$ 5,833,316
Accounts receivable	94,611	93,812
Prepaid expenses	168,876	123,302
Other current assets	6,551	49,094
	653,771	6,099,524
INVESTMENT IN POTASH CONCESSION (Note 3)	89,580,496	87,451,256
DEPOSIT (Note 3)	257,027	263,592
INVESTMENT IN LAND (Note 4)	7,940,586	7,894,269
PROPERTY AND EQUIPMENT (Note 5)	141,751	210,565
	$ 98,573,631	$101,919,206
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 404,950	$ 889,353
FUTURE INCOME TAXES (Note 8)	15,020,776	16,348,459
	15,425,726	17,237,812
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	158,902,475	156,727,265
Contributed surplus (Note 7 (d))	1,091,856	36,143
Deficit	(76,846,426)	(72,082,014)
	83,147,905	84,681,394
	$ 98,573,631	$101,919,206

GOING CONCERN (Note 1)
COMMITMENTS (Note 11)
CONTINGENCIES (Note 12)

APPROVED BY THE BOARD

"John Bovard"	*"Robert Connochie"*
John Bovard, Director	Robert G. Connochie, Director

See accompanying notes to these consolidated financial statements.

ASIA PACIFIC RESOURCES LTD.

(An exploration stage enterprise)

Consolidated Statements of Loss and Deficit

(Expressed in Canadian dollars)

	Cumulative from inception to December 31, 2003	**Year ended December 31, 2003**	Ten month period ended December 31, 2002 (Note 2(d))	Year ended February 28, 2002 (Note 2(d))
EXPENSES				
Accounting and legal	2,733,948	**680,959**	449,274	370,243
Amortization of property and equipment	710,864	**58,248**	60,725	72,226
Amortization of deferred financing costs	3,127,999	-	322,159	404,741
Consulting	4,535,048	**841,663**	218,228	943,226
Interest and bank charges	35,425,177	**8,145**	700,166	8,235,045
Recovery of prior years' accrued finance costs	(2,755,598)	-	-	(2,755,598)
Office and miscellaneous	3,615,771	**354,708**	326,318	311,334
Promotion and travel	7,242,279	**1,251,007**	731,575	390,267
Rent	1,296,836	**127,453**	126,273	164,036
Salaries	11,863,864	**1,281,060**	1,274,483	1,846,596
Stock compensation expense	1,170,356	**1,055,713**	114,643	-
Transfer fees and filing costs	879,243	**138,102**	104,557	71,596
	69,845,787	**5,797,058**	4,428,401	10,053,712
LOSS BEFORE THE UNDERNOTED ITEMS	(69,845,787)	**(5,797,058)**	(4,428,401)	(10,053,712)
INTEREST AND OTHER INCOME	4,041,210	**93,057**	167,379	32,873
FOREIGN EXCHANGE (LOSS) GAIN	(4,459,252)	**1,001,817**	297,947	(2,413,557)
LOSS ON SALE OF INVESTMENTS	(1,806,532)	-	-	-
WRITE-DOWN OF INVESTMENTS	(4,380,918)	-	-	-
WRITE-OFF OF INTEREST IN MINERAL CLAIM	(715,920)	-	-	-
SHARE OF NET LOSS ON EQUITY INVESTMENT	(701,190)	-	-	-
WRITE OFF OF EQUIPMENT	(62,228)	**(62,228)**	-	-
LOSS BEFORE INCOME TAXES	(77,930,617)	**(4,764,412)**	(3,963,075)	(12,434,396)
INCOME TAX RECOVERY (Note 8)				
Current	783,379			
Future	2,475,613	-	-	198,184
NET LOSS FOR THE PERIOD	(74,671,625)	**(4,764,412)**	(3,963,075)	(12,236,212)
DEFICIT, BEGINNING OF PERIOD	-	**(72,082,014)**	(68,118,939)	(55,882,727)
DIVIDEND IN KIND (Note 14)	(2,174,801)	-	-	-
DEFICIT, END OF PERIOD	(76,846,426)	**$(76,846,426)**	$(72,082,014)	$ (68,118,939)
LOSS PER SHARE		**$ (0.01)**	$ (0.01)	$ (0.21)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		**462,458,653**	401,704,206	58,444,181

See accompanying notes to these consolidated financial statements.

ASIA PACIFIC RESOURCES LTD.
(An exploration stage enterprise)
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Cumulative From inception to December 31, 2003	**Year ended December 31, 2003**	Ten month period ended December 31, 2002	Year ended February 28, 2002 (Note 2(d))
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	$ (74,671,625)	**$ (4,764,412)**	$ (3,963,075)	$ (12,236,212)
Items not involving cash				
Accretion of liability component of convertible debentures	4,985,439	**-**	-	95,486
Interest payable on convertible debentures	25,670,708	**-**	681,579	5,173,856
Amortization of property and equipment	710,864	**58,248**	60,725	72,226
Amortization of deferred financing costs	3,127,999	**-**	322,159	404,741
Loss on sale of investments	1,806,532	**-**	-	-
Write off of equipment	62,228	**62,228**	-	-
Stock compensation expense	1,170,356	**1,055,713**	114,643	-
Write-down of investments	4,380,918	**-**	-	-
Write-off of interest in mineral claims	715,920	**-**	-	-
Share of net loss on equity investment	701,190	**-**	-	-
Foreign exchange loss (gain) and other	1,691,408	**(1,327,683)**	(302,279)	2,639,364
Future income tax recovery	(2,475,613)	**-**	-	(198,184)
	(32,123,676)	**(4,915,906)**	(3,086,248)	(4,048,723)
Change in non-cash operating working capital items (Note 9)	134,912	**(488,233)**	(276,921)	1,677,284
	(31,988,764)	**(5,404,139)**	(3,363,169)	(2,371,439)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issue of share capital	89,187,699	**2,175,210**	13,832,056	3,057,459
Deferred financing costs	(683,894)	**-**	(204,396)	(479,498)
Convertible debentures, issued for cash	37,064,808	**-**	(800,000)	800,000
Convertible debenture, issue costs	(2,885,028)	**-**	-	-
Payment of withholding tax on convertible Debentures	(2,070,561)	**-**	(2,070,561)	-
	120,613,024	**2,175,210**	10,757,099	3,377,961
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of capital assets	(1,183,418)	**(51,662)**	(117,951)	(20,787)
Net proceeds on sale of assets	355,539	**-**	-	-
Investment in Metro Resources Company Ltd.; less cash acquired at acquisition	(43,939,630)	**-**	-	-
Investment in land	(6,688,232)	**(46,317)**	(24,354)	(22,393)
Investment in potash concession	(27,689,326)	**(2,129,240)**	(2,158,383)	(970,556)
Deposit	(257,027)	**6,565**	792	(264,384)
Purchase of investments	(12,077,910)	**-**	-	-
Proceeds on sale of investments	3,880,897	**-**	-	-
Mineral claims expenditures	(641,420)	**-**	-	-
	(88,240,527)	**(2,220,654)**	(2,299,896)	(1,278,120)
NET CASH INFLOW (OUTFLOW)	383,733	**(5,449,583)**	5,094,034	(271,598)
CASH POSITION, BEGINNING OF PERIOD	-	**5,833,316**	739,282	1,010,880
CASH POSITION, END OF PERIOD	$ 383,733	**$ 383,733**	$ 5,833,316	$ 739,282

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

During the ten month period ended December 31, 2002, the Company issued 312,971,396 common shares upon conversion of the convertible debentures and related interest payable (Note 6).

See accompanying notes to these consolidated financial statements.

1. GOING CONCERN

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the realization of assets and settlement of liabilities in the normal course of business.

During the year ended December 31, 2003, the Company incurred a net loss of $4,764,412 (ten months ended December 31, 2002 - $3,963,075; year ended February 28, 2002 - $12,236,212) and at December 31, 2003 had an accumulated deficit of $76,846,426 (December 31, 2002 - $72,082,014).

At December 31, 2003, the Company had cash of $383,733. Subsequent to December 31, 2003, a principal shareholder advanced a US$500,000 convertible loan to the Company, which bears interest at 5%. On March 22, 2004, this principal shareholder advanced an additional US$1,500,000 on the same terms. The loans are for a term of one year, may be extended in increments of six months by agreement of the parties and in the event the Company secures a third party financing of at least US$2,000,000, are convertible into such security on the same terms as the financing, subject to regulatory approval.

In May 2003, the Company applied for a mining license to develop and operate a potash mine on the portion of its potash concession known as the Udon South deposit. Receipt of the mining licenses is subject to review and consideration by the Government of Thailand (the Government) and to a public review pursuant to Thailand's Mining Law. A fee of US$5,000,000 is payable to the Government on receipt of the Mining License.

In December 2003, the Company received a notice from the Government questioning the Company's right, under its Concession Agreement, to renew seven exploration licenses relating to a portion of its potash concessions, known as the Udon North deposit. The Company appealed this notification, believing that it has a substantial basis for renewal of the exploration licenses. In April 2004 the Company agreed with the Thai Department of Primary Industries and Mines to suspend arbitration proceedings for a sixty day period to permit discussions between the two parties.

Subsequent to December 31, 2003, the Company retained specialist advisors (the "Advisors") on a success fee basis to help the Company obtain the mining license for Udon South and to assist in renewing the exploration licenses for Udon North. The terms of this contract are reported in Note 16 (c) of the financial statements.

Continuation of the Company as a going concern is dependent upon its ability to raise funds to complete development of its potash concession, the successful receipt of a mining license from the Government together with payment of related amounts owing to the Government and the Advisors and ultimately the achievement of profitable operations.

The Company has been engaged in discussions with prospective partners to secure financing for development of its potash concession but there is no assurance that these discussions will be concluded successfully or the financing achieved.

These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to obtain financing or the mining license to complete development of its potash concession or continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Specific accounting policies are as follows:

(a) Basis of consolidation

The financial statements include the accounts of the Company's subsidiary, Asia Pacific Potash Corporation ("APPC"), a company which holds a potash concession in Thailand (Note 3). Of the Company's 90% beneficial interest in APPC, 27.5% is held through a wholly-owned subsidiary, Metro Resources Company Ltd. Intercompany transactions and balances have been eliminated.

(b) Property and equipment

Equipment is stated at cost, net of accumulated depreciation and amortization.

Depreciation and amortization are calculated by the straight-line method, based on the estimated useful lives of the assets as follows:

Furniture, fixtures and computer equipment	5 years
Exploration equipment	5 years
Vehicles	5 years
Leasehold improvements	Over the lease term

(c) Foreign currency translation

Foreign currency monetary assets and liabilities, including the monetary assets and liabilities of the Company's integrated subsidiaries, have been translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Non-monetary assets, liabilities, revenues and expenses have been translated into Canadian dollars at the rate of exchange prevailing on the respective dates of the transactions. Exchange gains and losses on translation have been included in the statement of loss.

(d) Potash concession

The Company is capitalizing all direct exploration and development expenditures related to the Potash Concession until commercial production commences or the investment is abandoned, at which time the costs will either be amortized on a unit-of-production basis or fully charged to operations.

Management reviews the carrying value of the potash concession and related property at least quarterly for evidence of impairment. This review is generally made with reference to the timing of exploration work, work programs proposed, exploration results achieved by the Company, the status of the Company's exploration and mining rights and the assumptions and conclusions included in mining feasibility studies.

If the Company has reason to believe that impairment may exist, estimated future undiscounted cash flows are prepared using estimated recoverable tons of potash (considering current proven and probable reserves and mineral resources expected to be converted into mineral reserves) along with estimated future potash prices and estimated future operating and capital costs of construction. The inclusion of mineral resources is based on various information, including but not limited to the existence and nature of known mineralization, location of the property, results of recent drilling and analysis to demonstrate that the potash is commercially recoverable.

Projected future cash flows cover the known potash reserves at Udon South at this time. If the future undiscounted cash flows are less than the carrying value of the assets then the assets may be written down and the write off charged to earnings in the current period.

(e) *Stock-based compensation plans*

Effective March 1, 2002, the Company has adopted, on a prospective basis, new CICA recommendations with respect to stock-based compensation and other stock-based payments. The new recommendations encourage, but do not require, the use of a fair value based method to account for stock-based payments to employees whereas any stock-based payments to non-employees must be accounted for using a fair value based method of accounting. The Company has elected to record stock-based compensation to employees based on the fair value at the date of grant. Prior to the adoption of this new standard, the Company did not require any compensation to be expensed when stock options were granted or exercised.

The exercise price of certain outstanding stock options granted under the Company's 2002 stock-based compensation plan increases in future periods in accordance with the terms of the plan (Note 7 (c)). As a result, the fair value of these stock options cannot be reasonably determined until the options are exercised. When fair value is not reasonably determinable at the date of grant, the value of compensation to be recorded is measured each period based on the excess of the current stock price over the exercise price of the stock option at the end of the period. The recorded compensation expense will be adjusted to the actual fair value when the exercise price becomes known. For options with a fixed price, stock-based compensation is calculated using the Black-Scholes option pricing model.

(f) *Loss per share*

The Company's diluted earnings per share are computed using the weighted average number of common and common equivalent shares outstanding during the year. Common equivalent shares consist of the incremental common shares exercisable upon the exercise of stock options and are excluded from the computation if their effect is anti-dilutive.

(g) *Future income taxes*

The Company accounts for income taxes using the asset and liability method whereby future income tax assets and liabilities are recorded based on temporary differences between the carrying amounts of balance sheet items and their corresponding tax bases. In addition, the future benefits

(Expressed in Canadian dollars)

of income tax assets including unused tax losses are recognized, subject to a valuation allowance, to the extent that it is more likely than not that such loss ultimately will be utilized. Future income tax assets and liabilities are measured using enacted tax rates and laws that are expected to apply when the tax assets or liabilities are to be either settled or realized.

(h) *Use of estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. INVESTMENT IN POTASH CONCESSION

The investment in potash concession consists of the following:

	December 31, 2003	December 31, 2002
Balance, beginning of year	**$ 87,451,256**	$ 85,292,873
Deferred exploration and development expenditures	**2,129,240**	2,158,383
Balance, end of year	**$ 89,580,496**	$ 87,451,256

The Company holds a 90% beneficial interest in APPC, a company which holds two potash deposits, Udon South and Udon North, situated in Udon Thani in northeast Thailand, and the Government of Thailand has a 10% carried interest. The Company will recoup the Government of Thailand's 10% share of exploration, development and capital expenditures out of the Government's share of dividends from the net profits of APPC, if any, once commercial production has commenced.

On June 4, 2001, the Department of Mineral Resources of Thailand ("DMR") issued to APPC twelve special prospecting licenses ("SPLs"), pursuant to a June 4, 1993 Concession Agreement with APPC and the Ministry of Industry of Thailand.

The SPLs require APPC to expend on exploration, development and administrative expenditures an amount of US$240,000 in the first and second year, respectively, from the date of issuance. APPC has already expended the minimum required exploration, development and administrative work relating to the first and second year as at December 31, 2003.

The SPLs required APPC to provide a letter of guarantee to the DMR. APPC deposited $257,027 (Baht 7,200,000) with a financial institution to secure the required letter of guarantee. The deposit bears interest at a variable rate (currently 2.5% per annum) and the letter of guarantee for the SPLs will no longer be required when the SPLs expire or are converted into a mining license.

On May 29, 2003 APPC applied to have the SPLs for the Udon South deposit converted to a Mining License to allow development of a potash mine as the next step. The approval of the Mining License for Udon South ("USML") is following the structured process under Thai law that leads to the review and approval of the application. The Company must ultimately receive approval before it can construct mining

(Expressed in Canadian dollars)

facilities, commence commercial production and sell potash and other mineral by-products. A fee of U.S.$ 5,000,000 is payable on receipt of the mining license.
On November 5, 2003 the Company filed applications to renew expiring SPLs for Udon North granted under the Concession Agreement pursuant to the new Minerals Act B.E.2510, which applications cover the same ground as the potash deposits known as the Udon North deposit.

In December 2003, the Company received a notice from the Government questioning the Company's right, under its Concession Agreement, to renew seven exploration licenses relating to a portion of its potash concessions, known as the Udon North deposit. The Company appealed this notification, believing that it has a substantial basis for renewal of the exploration licenses. In April 2004 the Company agreed with the Thai Department of Primary Industries and Mines to suspend arbitration proceedings for a sixty day period to permit discussions between the two parties.

The recoverability of the carrying value of the Company's interest in the potash concession is dependent on the ability of APPC to (i) obtain the necessary financing to fund APPC's continued exploration and development activities and construction of mine facilities, (ii) secure the required licenses and approvals, and (iii) ultimately, the ability of APPC to attain profitable operations.

4. INVESTMENT IN LAND

The investment in land consists of a beneficial interest in certain property located in the province of Udon Thani, in northeast Thailand and above a portion of the Udon South deposit. The surface rights consist of approximately 2.0 square kilometres and would be used for the facilities for the proposed Udon South mine.

5. PROPERTY AND EQUIPMENT

	December 31, 2003			December 31, 2002
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Furniture and fixtures	$ 263,398	$ 207,360	$ 56,038	$ 97,117
Exploration equipment	11,598	11,598	-	-
Vehicles	63,743	63,496	247	291
Leasehold improvements	127,233	115,799	11,434	16,970
Computer equipment	170,402	96,370	74,032	96,187
	$ 636,374	$ 494,623	$ 141,751	$ 210,565

6. CONVERSION OF CONVERTIBLE DEBENTURES

On April 1, 2002, pursuant to an agreement between the debenture holders and the Company, convertible debentures and related interest payable with an aggregate book value of $67,579,715, were converted into common shares of the Company at a conversion price of $0.20 per common share resulting in the issuance of 312,971,396 common shares. The book value of $67,579,715 consisted of debt and related interest payable amounting to $62,594,276 and the book value of the equity component of the convertible debenture in the amount of $4,985,439.

(Expressed in Canadian dollars)

7. SHARE CAPITAL

(a) *Authorized*

The authorized share capital is unlimited.

(b) *Issued*

Details of share capital since inception at January 26, 1986 to December 31, 2003 are as follows:

	Number of Shares	Amount
Issued for cash on incorporation	1,350,000	$ 157,500
Balance at February 28, 1987	1,350,000	157,500
Issued for cash on private placement	140,000	70,000
Issued for cash on public offering	350,000	157,500
Issued for property	50,000	74,500
Issued pursuant to flow through agreements	279,999	254,301
Balance at February 29, 1988	2,169,999	713,801
Issued for cash on private placement	7,277,777	3,525,000
Issued for cash on exercise of warrants	5,500,000	2,200,000
Issued pursuant to flow through agreements	1	-
Balance at February 28, 1989	14,947,777	6,438,801
Issued for cash on private placement	5,000,000	1,500,000
Balance at February 28, 1990	19,947,777	7,938,801
Issued for cash on private placement	3,400,000	510,000
Balance at February 28, 1991 and 1992	23,347,777	8,448,801
Issued for cash on private placement	1,000,000	350,000
Issued for cash on exercise of options	430,000	86,000
Issued for cash on exercise of warrants	3,400,000	595,000
Balance at February 28, 1993	28,177,777	9,479,801
Issued for cash on private placement	4,750,000	6,600,000
Issued as finder's fee on private placement	50,000	25,000
Balance at February 28, 1994	32,977,777	16,104,801
Issued for cash on exercise of warrants	875,000	1,575,000
Balance at February 28, 1995	33,852,777	17,679,801

(Expressed in Canadian dollars)

	Number of Shares	Amount
Balance at February 28, 1995	33,852,777	17,679,801
Issued for cash on exercise of stock options	2,234,200	1,030,045
Issued for cash on private placement	6,000,000	14,742,000
Issued for cash on exercise of warrants	3,235,000	9,016,500
Balance at February 29, 1996	45,321,977	42,468,346
Issued for cash on exercise of stock options	1,267,300	3,627,430
Issued for cash on exercise of warrants	1,640,000	6,396,000
Balance at February 28, 1997	48,229,277	52,491,776
Issued for cash on exercise of stock options	57,000	259,350
Balance at February 28, 1998	48,286,277	52,751,126
Issued for cash on exercise of stock options	103,000	272,450
Issued on private placement	3,000,000	11,175,695
Issued in exchange for Metro shares	615,428	1,957,061
Balance at February 28, 1999	52,004,705	66,156,332
Issued for cash on private placement	2,400,000	5,896,153
Issued for cash on exercise of stock options	63,000	127,050
Balance at February 29, 2000 and February 28, 2001	54,467,705	72,179,535
Issued for cash on private placement (i)	5,625,636	3,057,459
Balance at February 28, 2002	60,093,341	75,236,994
Issued on conversion of convertible debentures (Note 6)	312,971,396	67,579,715
Issued for cash on rights offering (ii)	69,160,265	13,832,056
Grant of unvested shares (iv)	-	78,500
Balance at December 31, 2002	442,225,002	156,727,265
Issued for cash on private placement (iii)	21,751,896	2,175,190
Issued for warrant exercise (ii)	50	20
Issue of vested shares pursuant to employment contract (iv)	392,500	-
Balance at December 31, 2003	464,369,448	$ 158,902,475

i. During the year ended February 28, 2002, the Company completed a private placement consisting of 5,625,636 units at $0.55 per unit for proceeds of $3,057,459 (net of issue costs of $36,641). Each unit was comprised of one common share and one full warrant. Each warrant enabled the holder to purchase one additional common share from the Company for $1.00 until May 31, 2002.

ii. During the ten months ended December 31, 2002 the Company issued 69,160,265 common shares and warrants pursuant to a rights offering for aggregate cash consideration, after issue costs, of $13,832,056. Each warrant enabled the holder to purchase one additional common share from the Company for $0.40 until April 1, 2003. During the year ended December 31, 2003, fifty of these warrants were exercised for proceeds of $20. The remainder expired without being exercised.

iii. During the year December 31, 2003, the Company completed a private placement consisting of 21,751,896 common shares for gross proceeds of $2,175,190.

iv. Effective April 1, 2002, the Company granted 392,500 shares to the CEO that vested and were issued on April 1, 2003. The Company amortized the fair value of the shares on the grant date, in the amount of $78,500, over the vesting period and, as a result, has recorded $59,143 of compensation expense during the ten month period ended December 31, 2002 and the balance of $19,357 in the year ended December 31, 2003.

(c) Stock options

During the ten month period ended December 31, 2002, the Company introduced a stock option plan (the "2002 Plan"). Options granted on September 9, 2002 and on November 24, 2002 under the 2002 Plan vest over three years as to one-third on each anniversary of the grant date and expire after five years. The exercise price of $0.09 and $0.07, respectively, for all unexercised options increases by 10% per year compounded annually beginning on the second anniversary of the grant date. Options granted on May 19, 2003 under the 2002 Plan vest over three years. The exercise price of these options is fixed at $0.065 and expires in five years. As at December 31, 2003, there are also 100,000 outstanding and fully vested options that were issued under the Company's prior stock option plan.

In accordance with the accounting policy described in Note 2 (e) the Company has recorded stock compensation expense of $1,025,487 (ten months ended December 31, 2002 - $55,500) because the exercise price of certain outstanding stock options was less than the Company's stock price at December 31, 2003.

Using the fair value method for stock-based compensation, the company recorded an additional charge to earnings of $10,869 (2002 - $nil) for stock options granted with a fixed exercise price.

A summary of share option activity is as follows:

(Expressed in Canadian dollars)

	Options Outstanding		
	Number of Common Shares		Weighted Average Exercise Price
Balance, February 28, 1999	7,040,000	$	2.86
Granted	1,080,000		3.65
Cancelled	(680,000)		3.15
Exercised	(63,000)		2.02
Balance, February 29, 2000	7,377,000		2.95
Cancelled	(162,000)		3.60
Balance, February 28, 2001	7,215,000		2.94
Cancelled	(3,782,000)		3.07
Balance, February 28, 2002	3,433,000		2.90
Granted	23,124,500		0.09
Cancelled	(3,046,000)		2.84
Balance, December 31, 2002	23,511,500		0.14
Granted	1,000,000		0.07
Expired	(2,687,000)		(0.44)
Balance, December 31, 2003	21,824,500	$	0.10

The following table summarizes information concerning outstanding and exercisable options at December 31, 2003:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price per Share	Expiry Date
80,000	80,000	3.350	May 7, 2004
20,000	20,000	4.000	May 7, 2004
17,024,500	5,674,834	0.090	September 9, 2007
3,700,000	1,233,334	0.070	November 24, 2007
1,000,000	-	0.065	May 18, 2008
21,824,500	7,008,168		

The weighted average exercise price of the 7,008,168 exercisable stock options at December 31, 2003 is $ 0.135.

(Expressed in Canadian dollars)

(c) Stock options (continued)

Stock options outstanding at December 31, 2003 consist of 21,824,500 options outstanding some of which have variable exercise prices as described above. The weighted average exercise price has been calculated based on the initial exercise price which is effective until the second anniversary of the grant date.

(d) Contributed surplus

	$
Balance at December 31, 2001	-
Stock compensation expense ((Note 7 (c))	55,500
Unamortized value of unvested shares (Note 7 (b) (iv))	(19,357)
Balance at December 31, 2002	36,143
Amortization of unvested shares (Note 7(b) (iv))	19,357
Stock compensation expense (Note 7 (c))	1,036,356
Balance at December 31, 2003	$ 1,091,856

(e) Shareholder Rights Plan

On July 17, 1996, the Company adopted a shareholder rights plan (the "Plan"). Generally, if any person or group makes a take-over bid other than a bid permitted under the Plan (a "Permitted Bid") or acquires 20% or more of the Company's outstanding common shares without complying with the Plan, the Plan will entitle the holders of share purchase rights to purchase common shares of the Company at 50% of the prevailing market price. A take-over bid for the Company can avoid the dilutive effects of the share purchase rights and therefore become a Permitted Bid if it complies with certain specified provisions in the Plan. The Plan is required to be reconfirmed every three years. The plan was re-approved at the Annual General Meeting of the Company held on June 28, 2002.

8. INCOME TAXES

The Company's actual income tax recovery differs from the income tax recovery which would result from applying the statutory tax rate to loss before income taxes primarily as a result of not recording the potential tax recovery of operating losses and other non-taxable items and the statutory rate differences between Canada and foreign jurisdictions. The future income tax recovery in the year ended February 28, 2002 arose as a result of the tax recovery relating to the accretion of the liability component of the convertible debentures (Note 6).

The approximate tax effect of each type of temporary difference at December 31, 2003 that gives rise to the Company's future income tax assets and liabilities are as follows:

(Expressed in Canadian dollars)

	December 31, 2003	December 31, 2002
Future tax assets		
Non-capital loss carryforwards	$ 3,188,810	$ 2,095,082
Deferred financing costs	91,182	196,356
Other	-	15,886
	3,279,992	2,307,324
Less valuation allowance	(3,279,992)	(2,307,324)
Net future tax assets	$ -	$ -

	December 31, 2003	December 31, 2002
Future tax liabilities		
Potash concession	$ 15,020,776	$ 16,348,459

The Company has estimated non-capital loss carry-forwards in Canada of approximately $4.5 million which can be applied to reduce future Canadian income taxes payable and will expire in 2009 through 2010. In addition, the Company has estimated tax losses in Thailand of approximately $5.2 million. The Company expects to receive certain tax incentives in Thailand, including an exemption from income tax for up to 8 years from the start of commercial production of its potash concession, plus various tax rate reductions and incentives thereafter which make it unlikely that the available tax losses in Thailand will be able to be utilized prior to expiry. The potential future tax benefit of all of these loss carry-forwards has not been recognized in these financial statements.

9. CHANGE IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	Cumulative from inception to December 31, 2003	Year ended December 31, 2003	Ten month period ended December 31, 2002	Year ended February 28, 2002
Decrease (increase) in:				
Accounts receivable	$ (94,611)	$ (799)	$ (22,063)	$ 498,679
Prepaid expenses	(168,876)	(45,574)	(54,162)	3,098
Income taxes receivable	-	-	-	23,214
Due from affiliated companies	-	-	-	291,798
Other current assets	(6,551)	42,543	(24,848)	38,210
Increase (decrease) in:				
Accounts payable and accrued liabilities	404,950	(484,403)	(175,848)	822,285
	$ 134,912	$ (488,233)	$ (276,921)	$ 1,677,284

10. RELATED PARTY TRANSACTIONS

Related party transactions not disclosed elsewhere in these financial statements include consulting and management fees of $428,150 (ten months ended December 31, 2002 - $153,179; year ended February 28, 2002 - $462,093) paid to companies controlled by or affiliated to directors.

11. COMMITMENTS

(a) Lease Commitments

The Company has future minimum payments in respect of lease commitments for office space in Thailand due in 2004 of $48,733.

(b) Payment to Government of Thailand

Pursuant to the Concession Agreement dated November 29, 1994 a fee of US$5,000,000 is payable to the Government of Thailand on receipt of the Mining License for Udon South.

12. CONTINGENCIES

(a) Private Royalty

During 1993, the Company acquired from Crew Capital Corporation, a private company related by certain former directors in common, a right to earn a 75% interest in APPC for $69,510, representing a reimbursement of development costs incurred to date, and a royalty payment equal to 1.5% of 75% of the total potash sales mined from the potash concession and based on the FOB mine price. Effective December 1, 1994, the Company acquired control of APPC as it had incurred expenditures in satisfaction of the requirements for earning the 75% interest. Accordingly, at such time as commercial production commences, this royalty will be payable by the Company.

(b) Renewal of SPLs over Udon North

On December 23, 2003 the Company announced that APPC received a letter from the Department of Primary Industry and Mines in Thailand ("DPIM") questioning APPC's right to extend or renew its SPLs over the Udon North area under the Concession Agreement. See Note 3 for details of the status of this matter.

(c) Success Fee - Grant of Mining License for Udon South

As noted below in Note 16 (c) the Company has retained specialist Advisors on a success fee basis to enhance the Company's efforts to procure the Mining License for Udon South. Under the terms of the Agreement the Advisors receive a cash Success Fee of US$5 million payable in two payments of US$2 million in 30 days and US$3 million in 60 days, following receipt by APPC of a Mining License for Udon South within the term of the Agreement, and on commercial terms acceptable to APPC in its sole discretion. In addition the Advisors would receive certain options and units as described in Note 16 (c).

(d) Employment Agreement

In the event of a sale of the Company's common shares by the majority shareholder to a third party, whereby the majority shareholder owns less than 20% of the outstanding common shares held at the date of closing of the sale, then the Company will be obligated to pay a senior executive a termination payment under his employment agreement estimated as approximately $250,000 at December 31, 2003.

(e) Normal Course of Business

The Company is also party to certain other actions incurred in the normal course of business, none of which management expects to have a material impact on the results of operations or financial position.

13. SEGMENTED INFORMATION

The Company considers its business to consist of one operating segment, and the majority of its operations and capital assets are located in Thailand. Capital assets consist of investment in potash concession, investment in land and property and equipment.

14. DIVIDEND IN KIND

During the year ended February 28, 1994, the Company paid a dividend in kind to each shareholder of the Company representing one share of Canadian Crew Energy Corporation, now known as Crew Development Corp. ("Crew") at a book value of $0.705 per share for each fifteen shares of the Company held on June 15, 1993. A total of 1,856,944 shares were distributed. This transaction gave rise to a taxable gain based on the market value of Crew shares of $3,353,187 and resulted in a tax liability of $866,428 after taking into account all of the Company's remaining tax loss carry-forwards at that date. The dividend is shown inclusive of the tax liability.

15. FINANCIAL INSTRUMENTS

(a) Fair value

The carrying values of the Company's financial instruments, which include cash, accounts receivable, other current assets, and accounts payable and accrued liabilities, approximate their respective fair values.

(b) Financial risk

Financial risk is the risk arising from fluctuations in interest rates and changes in foreign currency exchange rates. The Company does not use any derivative instruments to reduce its exposure to fluctuations in interest rates and foreign currency exchange rates.

16. SUBSEQUENT EVENTS

(a) Convertible Loans

On January 16, 2004 Olympus Capital Holdings Asia I, L.P. ("Olympus") advanced a US$500,000 convertible loan to the Company with an interest rate of 5% per annum for working capital purposes. On March 22, 2004 Olympus advanced an additional US$1,500,000 loan on the same terms. The loans are each for a term of one year, but may be extended in increments of six months by the agreement of the parties. Should the Company undertake a third party financing of at least US$2,000,000, Olympus, subject to regulatory approval, will have the right to convert the loans into such security on the same terms as the financing. Any proceeds from the sale by the Company or its subsidiary of any securities or assets in excess of amounts required for the development of its potash project may be required to be applied to repay the loans, if not converted by Olympus, subject to the Company maintaining adequate working capital.

(b) Issue of Common Shares

The Company issued 150,000 common shares pursuant to the exercise of stock options for gross proceeds of $13,500 for the period January 1, 2004 to May 3, 2004.

(c) Appointment of Advisors

On February 13, 2004, APPC retained specialist advisors (the "Advisors") on a success fee basis to enhance the Company's efforts to renew the Udon North SPLs and to procure the Udon South Mining License ("ML") on a timely basis.

Pursuant to the Agreement, the Advisors would receive a cash Success Fee of US $5 million payable in two payments of US$2 million in 30 days and US$3 million in 60 days, following receipt by APPC of a Mining License for Udon South within the term of the Agreement and on commercial terms acceptable to APPC in its sole discretion, acting reasonably.

Pursuant to the Agreement, the Company granted the Advisors an option to acquire up to 9,280,000 common shares of the Company at an exercise price of C$0.30. The options may be exercised at any time during the nine-month period following the one-year anniversary of the date of grant, February 16, 2004. The number of Options that will vest to the Advisors depends solely on when, during the term of the Agreement, the Udon South Mining License is received by APPC.

Pursuant to the Agreement, and based on achieving success during the term of the Agreement, the Company will issue to the Advisors a number of units consisting of one common share of the Company and a warrant, exercisable for a period of six months following its relevant issuance date, to acquire one common share of the Company at an exercise price equal to a twenty per cent premium over the prevailing stock price.

The maximum number of units to be issued is the lesser of a) six million units and b) a number of units having an aggregate value of C$2.4 million calculated by valuing each unit as the sum of the prevailing stock price plus the value of a warrant on the date of issuance as detailed in the Agreement.

The Advisors are at arm's length to the Company. The Advisors have specific regional expertise to assist APPC to secure a commercially viable Mining License for Udon South and to assist in perfecting APPC's

(Expressed in Canadian dollars)

rights to Udon North. APPC has agreed to reimburse the advisors approved out-of-pocket expenses during the term of the Agreement.

17. RECONCILIATION BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada which, in the case of the Company, differ in some respects from US GAAP. The differences between Canadian and US GAAP and their effect on the Company's consolidated financial statements are summarized below:

Consolidated Balance Sheets

		December 31, 2003	December 31, 2002
Total assets under Canadian GAAP		$ 98,573,631	$ 101,919,206
Increase in investment in potash concession due to inclusion of valuation of options in purchase price of Metro	(a)	5,091,429	5,091,429
Decrease in investment in potash concession due to expensing of exploration costs	(b)	(27,689,320)	(25,560,080)
Decrease in value of land and non-monetary assets due to use of current rate translation method	(c)	(1,325,342)	(2,246,044)
Total assets under US GAAP		$ 74,650,398	$ 79,204,511
Total liabilities under Canadian GAAP		$ 15,425,726	$ 17,237,812
Additional future income taxes recognized on acquisition of Metro	(a)	1,402,752	1,527,429
Total liabilities under US GAAP		$ 16,828,478	$ 18,765,241
Shareholder's equity under Canadian GAAP		$ 83,147,905	$ 84,681,394
Net increase in investment in potash concession arising on Metro acquisition	(a)	3,564,000	3,564,000
Cumulative deferred exploration adjustment	(b)	(27,689,320)	(25,560,080)
Cumulative unrealized translation loss relating to non-monetary assets of subsidiary	(c)	(1,200,665)	(2,246,044)
Shareholders' equity under US GAAP		$ 57,821,920	$ 60,439,270

(Expressed in Canadian dollars)

Consolidated Statements of Loss

		Cumulative from inception to December 31, 2003	**Year ended December 31, 2003**	Ten month period ended December 31, 2002	Year ended February 28, 2002
Net loss under Canadian GAAP		$ (74,671,625)	**$ (4,764,412)**	$ (3,963,075)	$ (12,236,212)
Investment in potash concession exploration expenditures expensed	(b)	(27,689,320)	**(2,129,240)**	(2,158,383)	(970,556)
Accretion of interest on convertible debentures	(d)	5,426,595	-	-	95,486
Amortization of deferred financing costs	(d)	(441,156)	-	-	(9,191)
Adjustment to income tax expense	(e)	(866,428)	-	-	-
Consulting expense - warrants	(f)	(1,071,937)	-	-	-
Consulting expense - options	(f)	(356,988)	-	-	-
Net loss under U.S. GAAP		(99,670,859)	**(6,893,652)**	(6,121,458)	(13,120,473)
Less unrealized translation (loss) gain on subsidiary	(c)	(2,750,238)	**(504,194)**	27,900	(1,652,356)
Net comprehensive loss under U.S. GAAP (e)	(g)	$ (102,421,097)	**$ (7,397,846)**	$ (6,093,558)	$ (14,772,829)
Loss per share under U.S. GAAP			**$ (0.02)**	$ (0.02)	$ (0.22)

(Expressed in Canadian dollars)

Consolidated Statements of Cash Flows

		Cumulative from inception to December 31, 2003	**Year ended December 31, 2003**	Ten month period ended December 31, 2002	Year ended February 28, 2002
Cash flows from operating activities under Canadian GAAP		$ (31,988,764)	**$ (5,404,139)**	$ (3,363,169)	$ (2,371,439)
Exploration expenditures	(b)	(27,689,320)	**(2,129,240)**	(2,158,383)	(970,556)
Cash flows from operating activities under U.S. GAAP		$ (59,678,084)	**$ (7,533,379)**	$ (5,521,552)	$ (3,341,995)
Cash flows from financing activities under Canadian and U.S. GAAP		$ 120,613,024	**$ 2,175,210**	$ 10,757,099	$ 3,377,961
Cash flows from investing activities under Canadian GAAP		$ (88,240,527)	**$ (2,220,654)**	$ (2,299,896)	$ (1,278,120)
Exploration expenditures	(b)	27,689,320	**2,129,240**	2,158,383	970,556
Cash flows from investing activities under U.S. GAAP		$ (60,551,207)	**$ (91,414)**	$ (141,513)	$ (307,564)

(a) *Acquisition of Metro Resources Company Ltd. ("Metro")*

Under US GAAP, the purchase price for the acquisition of Metro in 1999 would have also included the value of options issued by the Company in the acquisition. Details of the adjustment are as follows:

Options of Metro assumed	5,000,000
Fair value of Asia Pacific options	$ 1.62
Exchange ratio	0.44
Fair value of equivalent Asia Pacific options	$ 0.71
Fair value of options to be included in the purchase price	$ 3,564,000
Additional future income tax liabilities related to increased purchase price	$ 1,527,429
Total increase in potash concession due to inclusion of valuation of options in purchase price	$ 5,091,429

The fair value of the options was estimated using the Black-Scholes option pricing model assuming no dividends are to be paid, vesting occurring on the date of the grant, a weighted average volatility of the Company's share price of 57% and an annual risk free rate of 5.3%.

Under Canadian GAAP, the options issued by the Company are not included in the purchase price.

(b) *Deferred exploration costs*

US GAAP prefers exploration costs related to mineral properties to be expensed until there is substantial evidence that a commercial body of ore has been located and project financing has been secured, whereas Canadian GAAP allows exploration costs related to mineral properties to be deferred during the exploration stage until such time as it is evident that the deferred cost exceeds the estimated recoverable amount or the property is abandoned.

(c) *Foreign currency translation*

Under US GAAP, foreign currency translation of the assets, liabilities and operations of foreign investees is performed using the current rate method with translation adjustments recorded in a separate component of shareholders' equity. Under Canadian GAAP, such translation is performed using the temporal method where non-monetary assets are translated at historical rates.

(d) *Convertible debentures*

Under US GAAP, the convertible debentures issued during the year ended February 28, 1999 were recorded entirely as debt with no portion segregated into an equity component. Under Canadian GAAP, the convertible debentures issued during the year ended February 28, 1999 were segregated into their liability and equity components measured at their respective fair values at the date the convertible debentures were issued (Note 6). Over the term of the convertible debentures the liability component has been accreted to the fair value of the convertible debentures by the recording of additional interest expense. By February 28, 2002, the remaining liability component of the convertible debentures had been fully accreted.

In addition, the financing costs netted against the equity component of convertible debentures under Canadian GAAP was deferred and amortized under US GAAP. These financing costs were fully amortized under US GAAP as at February 28, 2002.

(e) *Dividend in kind*

Under US GAAP, dividends in kind, consisting of investments previously accounted for using the equity method, are recorded at book value and any related tax expense is included in operations. Under Canadian GAAP, dividends in kind are recorded at book value plus any related tax liabilities. As a result of the foregoing, the dividend in kind in the year ended February 28, 1994 would have been decreased under US GAAP by $866,428. However, there would have been no change in the shareholders' equity at the end of that year.

(f) *Stock-based compensation*

Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* ("SFAS No. 123"), issued in October 1995, requires the use of a fair value based method of accounting for stock options. Under this method, compensation cost is measured at the grant date based on the fair value of the options granted and is recognized over the vesting period. However, SFAS No. 123 allows the Company to continue to measure compensation cost in accordance with Accounting Principles Board Opinion No. 25 ("APB 25"), and the related FASB Interpretation No. 44 ("FIN 44"), which specifies the use of the intrinsic value method. Prior to the change in accounting policy effective March 1, 2002 (Note 2 (e)), the Company accounted for stock compensation in accordance with APB 25 and FIN 44. Since stock options were granted at the quoted market value of the Company's common shares at the date of the grant, there was no compensation cost recognized by the Company under US GAAP. In accordance with FIN 44, the Company began accounting for certain previously granted employee stock options, for which the maturity date was extended to October 27, 2005, commenced being recorded as variable stock options effective July 1, 2000. Under this accounting method, increases in the trading price of the Company's common stock over the exercise price of the related share purchase option are recorded as compensation expense. During the ten month period ended December 31, 2002 and the year ended February 28, 2002, no compensation expense was recorded on these modified stock options as the exercise price was higher than the market price at the respective year ends and at December 31, 2003 these options had all been cancelled.

Effective March 1, 2002, the Company adopted the fair value based method to account for stock compensation (Note 2 (e)) and also changed its US GAAP accounting policy, on a prospective basis, to adopt the fair value based method under SFAS No. 123.

During the ten month period ended December 31, 2002, and continuing in the year ended December 31, 2003, the Company introduced a stock option plan with variable exercise prices. There are no differences in the accounting for these stock options under the Company's Canadian GAAP accounting policy and SFAS No. 123.

(g) *Comprehensive income*

In June 1997, the FASB issued SFAS No. 130, *Reporting Comprehensive Income*, which is required to be adopted for fiscal years beginning on or after December 15, 1997. SFAS No. 130 establishes standards for the reporting and display of comprehensive income and its components in a full set of general purpose financial statements. As defined in SFAS No. 130, the Company has one comprehensive income item consisting of an unrealized loss on translation of a subsidiary's net assets and operations to Canadian dollars.

(h) *Recent pronouncements*

In January 2003, the FASB issued Interpretation No. 46-Revised ("FIN 46-R"), *Consolidation of Variable Interest Entities*, an Interpretation of ARB No. 51 (revised December 2003), which replaces FIN 46. FIN 46-R incorporates certain modifications to the scope of FIN 46 adopted by the FASB subsequent to the issuance of FIN 46, including modifications to the scope of FIN 46. For all non-special purpose entities ("SPE") created prior to February 1, 2003, public entities will be required to adopt FIN 46-R at the end of the first interim or annual reporting period ending after March 15, 2004. For all entities (regardless of whether the entity is an SPE) that were created subsequent to January 31, 2003, public entities are already required to apply the provisions of FIN

46, and should continue doing so unless they elect to adopt the provisions of FIN 46-R early as of the first interim or annual reporting period ending after December 15, 2003. If they do not elect to adopt FIN 46-R early, public entities would be required to apply FIN 46-R to those post January 31, 2003 entities as of the end of the first interim or annual reporting period ending after March 15, 2004. The Company will adopt FIN 46-R on January 1, 2004. Adoption of this standard is not expected to have a material effect on the Company's results of operations or financial position or disclosures.

In April 2003, SFAS No 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" was issued. In general, this statement amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. The Company adopted SFAS No. 149 on July 1, 2003. Adoption of this standard did not have a material effect on the Company's results of operations or financial position or disclosures.

In May 2003, SFAS No 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" was issued. In general this statement required that those instruments be classified as liabilities rather than equity on the balance sheet. The Company adopted this standard on July 1, 2003. Adoption of this standard did not have a material effect on the Company's results of operations or financial position or disclosures.